

Crisis-Hit Sri Lanka Defaults On Debt As It Runs Out Of Fuel



BY TYLER DURDEN

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There's no money to buy petrol, the crisis-hit Sri Lankan government said Wednesday as it urged citizens to **"not to wait in line" for fuel**, and following violent protests in the streets, which started in early April in the capital of Colombo and quickly spread across the country due to soaring prices amid food and other essential resource shortages like medicine.

On Tuesday the new prime minister, Ranil Wickremesinghe, declared in a television address that Sri Lanka was down to its **"last day of petrol"** amid the most severe crisis in over seven decades. He said the country would need an immediate bail-out of at least \$75 million of foreign currency just to cover the next few days of essential imports.



Hundreds of petrol stations have seen miles of vehicles backed up, desperate for gas, file image.

He additionally signaled the central bank would be forced to print money if it hoped to pay government wages. Parliament has further been informed that the government has **missed its April 18 deadline to pay \$78 million in global bonds payments**, as well as another \$105 million owed to Chinese banks, according to *Bloomberg*. Wednesday marked the end of a 30-day grace period.

Following the development, *Reuters* wrote "Sri Lanka is expected to be placed into default by rating agencies on Wednesday after the non-payment of coupons on two of its sovereign bonds."

It's predicted to be just the beginning of a historic default on a total **\$12.6 billion of overseas bonds** - the first such since the small country's independence from Britain in 1948, amid a continued spiral of

runaway inflation and foreign exchange squeeze fueled by lack of dollars.

Power and Energy Minister Kanchana Wijesekera [told parliament](#) Wednesday, "There aren't enough dollars available to open letters of credit." He explained, "**We are working to find funds but petrol will not be available at least until the weekend.** The very small reserve stock of petrol is being released for essential services like ambulances," he said.

PM Wickremesinghe followed by saying that an emergency bridge loan of \$160 million has been secured from the World Bank - though it wasn't specified if the funds would be used for fuel imports.

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Without food, medicine, petrol and with power outages up to 15 hours a day. In Sri Lanka, the police are unable to contain the anger of the starving people. Politicians are beaten and their homes and cars set on fire or thrown into rivers. Coming soon to Europe.

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He further said in a somewhat ambiguous statement suggesting there's little hope of the government digging the country out of the debt and energy crisis in the near future: "The statistics have gone haywire," and [added](#), "**But the reality is we don't even have \$1 million.**"

Political and moneyed elites have been subject of increasingly brazen mob attacks in the last weeks...



Making matters worse, and increasing the likelihood that riots and deadly street protests will continue, central authorities early this week announced the public can [expect](#) **15 hours of power cuts a day** amid the energy crisis.

Last week protests turned deadly, with reportedly at least nine killed, including a ruling party member of parliament - which resulted in Prime Minister Mahinda Rajapaksa being forced to resign. Thousands of protesters had also breached his residence and office.

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More from *Rabobank* on the crisis...

Sri Lanka is officially down to its last day of petrol. It was already going hungry – now it will be immobile. Angry people were already burning down politicians' houses. Now they seem to be attacking anyone looking wealthy. 'Oh, that's just Sri Lanka,' some say. True. But Iran is seeing food protests; so is Tajikistan. Significantly lower bond yields, when oil and food prices are rising and demand is largely inelastic, and "demand destruction" means hunger, is not something that 'just happens' like it could when commodity prices were low. Especially not when it also implies a collapse in the stock market and

in housing and soaring unemployment to boot. Yes, such a global risk-off phase may be bullish for core bond yields like the US and Germany – but in many places it is a potential disaster. If Wall Street continues to say commodities don't matter and inflation has peaked, the likelihood is that we will see dozens more African, Middle Eastern, and Asian countries experiencing exactly the same socio-political destabilisation.

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